

COVID-19 Revenue Impact, Cost and Savings Report through August 31, 2020

PSCSC Docket No. 2020-106-A

Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (individually “DEC” and “DEP,” collectively, “the Companies”) provide this Report of COVID-19 Revenue Impact, Cost and Savings pursuant to the Commission’s Order No. 2020-372.¹

I. Revenue Impact

The Companies’ rates to recover their cost of service assume certain amounts of load. That load has been negatively impacted by the economic downturn and business shut-down resulting from COVID-19. Accordingly, the Companies are no longer recovering all of their costs to serve recently set by the Commission in Docket Nos. 2019-318 and 319 E. Through August 31, 2020, this has resulted in an estimated \$13 million loss of fixed costs not recovered for DEC SC and an estimated \$3 million loss of fixed costs not recovered for DEP SC. The calculations are based on weather-adjusted consumption for 2020 compared to 2019. For DEC SC, weather-adjusted residential load increased by approximately 5%, while weather-adjusted load of remaining customers decreased by approximately 12%. For DEP SC residential weather-adjusted load increased by approximately 1%, while weather-adjusted load for remaining customers decreased by approximately 4%.²

II. Incremental COVID-19 Costs and Savings

The Companies have experienced significant incremental costs related to protecting employees and customers during the pandemic and ensuring continuity and quality of service to customers in a safe manner. The types of costs have remained consistent to what was previously reported and are expected to continue to be borne by the Companies over the coming months as the impacts of the pandemic continue. These costs are described further below.

¹ On March 14, 2020, Governor McMaster issued a letter to the South Carolina Office of Regulatory Staff (“ORS”) requesting that “all regulated utilities and cooperatives serving the State of South Carolina . . . do not suspend or disconnect essential services for nonpayment” during the State of Emergency. Consistent with the Governor’s request, on March 18, 2020, the Commission issued Order No. 2020-228, which granted necessary waivers and authority to effectuate the Governor’s request. The Commission also directed in that order that “utilities track the financial impacts related to the waivers approved by this action and order as the Commission may seek reporting of financial impacts at a future time.” On May 14, 2020, the Commission issued Order No. 2020-372, which included a requirement that “utilities to track revenue impacts, incremental costs and savings related to COVID-19, and file the findings with the Commission on a quarterly basis, beginning as soon as possible, but no later than the end of the second quarter of 2020.” This Report is filed in compliance with that Order.

² “Fixed cost not recovered” reflects the impact of the change in kWh to revenues less associated fuel, O&M (uncollectible rate, reg fee, and variable O&M rate), and taxes. The Companies have taken action to attempt to mitigate and offset the load destruction caused by COVID-19. Examples of mitigation efforts include revised scope and timing of generation outages, reducing contract and labor costs including overtime and variable compensation, employee expense reductions, and lowering corporate costs such as IT expenses

- **Waived customer fees:** On March 21, 2020, the Companies waived all late-payment fees, return check charges, reconnection fees. Walk-in payment fees in SC were waived on April 2, 2020.
- **Bad debt/customer charge-offs:** In order to protect customers that are expected to be impacted by the economic downturn of the pandemic, beginning March 13, 2020, the Companies suspended disconnections for non-payment. The resulting increase in customer balances and challenging economic environment are expected to increase customers' inability to pay utility bills. The amount of bills past-due has continued to grow since May 31, 2020. Since March, the Companies have sent on-going and multiple communications to our customers with content including ways to manage costs utilizing energy efficiency tips, links to agencies who provide bill assistance, and information about extended payment plans. We have utilized a wide variety of media channels and communication platforms including: bill messages, emails, text messages, social media, conversations with non-profit partners and business groups. We are committed to helping our customers with customized, interest-free payment arrangements that meet their specific needs as well as connecting them with local organizations that can offer support by providing funding to assist with payment of utility bills. Our goal has always been to make disconnections for non-payment a last resort for our customers.

For the Commission's information, below are the approximate arrearages to the Companies in SC as of May 31, 2020 and August 31, 2020.

Customer Arrearages

(\$ in Thousands)	DEC - SC		DEP - SC	
	May 31, 2020	August 31, 2020	May 31, 2020	August 31, 2020
30 Days	\$14,273	\$17,034	\$10,013	\$15,027
60 Days	8,002	7,528	5,407	4,848
90+ Days	6,309	13,372	3,699	8,854

- **Employee stipends:** Certain eligible employees of the Companies received a one-time cash payment of \$1,500 to help with unplanned expenses associated with COVID-19.
- **Employee safety-related costs:** The Companies have provided, and will continue to provide, employees with the appropriate personal protective equipment to facilitate the continuation of work for customers in a safe manner. Additionally, the Companies incurred incremental costs associated with cleaning supplies, health care, as well as testing and temperature checks.
- **Costs for remote work:** In order to facilitate employees working remotely to protect their health and safety during the pandemic, the Companies incurred incremental costs associated with expanded conference line capacity, increased network bandwidth, other required information technology improvements, expanded video conferencing licenses, and increased company cellular telephone and data usage.

The Companies have also reflected below certain estimated savings directly related to COVID-19, particularly from reduced employee expenses due to travel restrictions and postage/print savings due to not sending disconnect letters. The Companies continue to estimate savings based on assumptions for each individual organization. The Companies may determine further refinement of such estimates in future reports. These amounts of costs and savings reported below represent the estimated retail allocation of each item.

Summary of Incremental COVID-19 Costs and Savings

(\$ in Thousands)	DEC SC		DEP SC	
Incremental COVID-19 Costs	May 31, 2020	August 31, 2020	May 31, 2020	August 31, 2020
Customer Fees Waived	\$ 1,414	\$ 3,462	\$ 613	\$ 1,499
Bad Debt/Charge-offs (incremental to amount set in rates)	321	2,137	233	934
Employee Stipends	443	443	108	108
Safety Related - PPE, testing, signage, extra cleaning, etc.	985	1,258	252	304
Costs for remote work - IT, MS Teams, bandwidth, servers	138	264	42	80
Other (primarily incremental labor)	133	218	41	64
Total Incremental COVID-19 Costs	\$ 3,434	\$ 7,782	\$ 1,289	\$ 2,989
Less Estimated Incremental COVID-19 Savings				
Employee expenses - Travel restrictions / employee meals / etc.	\$ (415)	\$ (1,268)	\$ (145)	\$ (371)
Reduced training for Transmission craft crew ³	(120)	-	-	-
Postage and Print savings due to no disconnect letters for non-pay	(55)	(142)	(9)	(57)
Total Estimated COVID-19 Savings	\$ (590)	\$ (1,410)	\$ (154)	\$ (428)
Net total	\$ 2,844	\$ 6,372	\$ 1,135	\$ 2,561

³ While “Reduced training for Transmission craft crew” was indicated as savings in the May 31, 2020 report, DEC has subsequently determined that this training was just delayed and does not result in direct savings as a result of COVID-19.